Approved February 12, 2017

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
January 10-11, 2017

Basin Electric Power Cooperative
Bismarck, North Dakota

Minutes of the Regular Meeting of the Board of Directors
January 10-11, 2017

The Regular Meeting of the Board of Directors of Basin Electric Power Cooperative (the **Cooperative** or **Basin Electric**) was held at the headquarters building, 1717 East Interstate Avenue, Bismarck, North Dakota, beginning on January 10, 2017 at 2:25 p.m. CST.

1. Call to Order

The meeting was called to order by President Wayne Peltier, who presided, and Assistant Secretary Roberta Rohrer, who kept the minutes thereof.

2. Roll Call

After calling the roll, the Assistant Secretary reported the following Directors present:

Paul Baker	Leo Brekel
Charles Gilbert	Kermit Pearson
Wayne Peltier	Troy Presser
Roberta Rohrer	Allen Thiessen
Mike McQuistion	

Said persons being all of the Directors of the Cooperative except Donald E. Applegate and Gary C. Drost, who were absent. Also present were Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Tiffany Bailey, Tracie Bettenhausen, Eric Carufel, Shawn Deisz, Tammy DeWitt, Mike Eggl, Matt Greek, John Jacobs, Steve Johnson, Kerry Kaseman, Becky Kern, Jay Lundstrom, Mary Miller, Mike Paul, Dave Raatz, Chad Reisenauer, Mike Risan, Ken Rutter, Susan Sorensen, Kevin Tschosik, Valerie Weigel and Michelle Wiedrich.

Also present were Dakota Gasification Company (**DGC**) Vice President David J. Sauer, East River Electric Power Cooperative (**East River**) director Pat Horan, Corn Belt Power Cooperative (**Corn Belt**) manager Ken Kuyper and Innovative Energy Alliance co-manager Chris Baumgartner.

3. Approval of the Agenda

The Directors considered the agenda for the conduct of the business of the meeting. After an opportunity for the addition and deletion of items, it was moved by Director Baker, seconded by Director Rohrer and carried that the agenda be approved as revised.

4. Approval of the Minutes

The minutes of the November 10/December 14, 2016 Board Reorganizational Meeting and the December 14-15, 2016 Regular Meeting of the Board of Directors were presented and after an opportunity for corrections, it was moved by Director Pearson, seconded by Director Rohrer and carried that both sets of minutes be approved as presented.

5. General Manager's Report

General Manager Sukut reported on his January 5 meeting with NextEra. They discussed election results, potential early repowering of wind projects such as Edgeley and the possibility of NextEra purchasing the PrairieWinds projects. He noted that given the rate quoted by NextEra, selling the wind farms is not an economic choice at this time. There may be opportunities and advantages to folding these wind projects back in to Basin Electric, which could be done with PrairieWinds ND 1, Inc. this year and with PrairieWinds SD 1, Inc. next year.

The Lignite Energy Council will meet with North Dakota Governor Doug Burgum on January 31 to discuss coal and what's happening in western North Dakota.

Mr. Sukut expressed his gratitude to East River for hosting the Rate Subcommittee meeting. He noted that the Subcommittee has asked that the rates/standby rate discussion be placed earlier on the agenda for the Managers Advisory Committee (**MAC**) meeting next week. Mr. Raatz reported that the Rates Subcommittee assigned 14 action items to Basin Electric staff.

Mr. Sukut reported that you can clearly see things changing in the membership and end-use consumers which weaves all the way back to power supply. It is incumbent on Basin Electric to maintain open lines of communication with the membership and to be as responsive as possible to their needs. He will report on this to the Board monthly.

6. Western Fuels Update

Director Baker reported the next meeting is in February.

7. Cooperative Planning Report

A. Strategic Plan Objectives

Director of Strategic Planning & Member Support Chad Reisenauer reported that in early 2016, Basin Electric moved from a large strategic plan to a smaller, more concise plan. Teams of two to five senior staff members were formed to take ownership of the plan. The plan was finalized at the June Board meeting. All 2016-plan items have either been accomplished or are being worked on and rolled into the 2017 Strategic Plan.

The next steps are to utilize the 2017 objectives to assist in development of the 2017 Cooperative Plan, present the plan to the members at the next MAC meeting and do quarterly updates with the team leads.

The Directors requested semi-annual updates on the Strategic Plan.

8. Office of General Counsel Report

Senior Vice President & General Counsel Mark D. Foss reported on the status of litigation involving the Cooperative.

A. Seating of Members 1st (District 10) Director

Mr. Foss reported that District 10 is now Members 1st Power Cooperative (**Members 1st**) rather than Powder River Energy Corporation (**PRECorp**). As a result, the District 10 director seat was technically vacated and now must be filled by a Members 1st director rather than a PRECorp director.

District 10 caucused at PRECorp's Sheridan office on December 19, 2016. At that meeting, the authorized representatives of District 10 elected Paul Baker of Moorcroft, Wyoming, to fill the vacancy for the unexpired District 10 term.

He therefore recommended that, in accordance with the Bylaws, the remaining members of the Board of Directors adopt a resolution appointing Mr. Baker to fill the unexpired term for District 10.

After discussion, it was moved by Director Gilbert, seconded by Director Rohrer and carried that the following Resolution be adopted:

R01.01-10-17 RESOLVED, that Paul Baker is appointed to fill the unexpired term of director for District 10 and serve until his successor shall be elected and qualified.

9. Risk Management Report

Manager of Commodity Risk Kerry Kaseman reported that the current average hedged price for peak east purchased power is $25.72/MWh with 35% hedged for 2017. The average natural gas hedge price for 2017 is $3.05/MWh.

The current hedged position for natural gas is $3.10 per dekatherm (**dkt**) for 2018 with 80.5% hedged, $3.20/dkt for 2019 with 58.3% hedged, $3.21/dkt for 2020 with 52.2% hedged and $3.22/dkt for 2021 with 27.7% hedged.

The current average inventory value of natural gas in storage is $1.98/MMbtu, the average sale price at the time of injection was $1.41/MMBtu and the average sale price at the time of withdrawal is $3.00/MMBtu.

He reviewed the Ventura Forward Curve which, as of January 1, 2017, was $3.53/dkt for 2017, $3.05/dkt for 2018, $2.72/dkt for 2019, $2.73/dkt for 2020 and $2.77/dkt for 2021.

The December settled financial hedges for natural gas resulted in a gain of $117,568 based upon a volume for the month of 13,500 dkt/d. The total Mark-to-Market (**MTM**) for natural gas was a loss of ($2 million). He reviewed the month-to-month changes.

Turning to power, he reviewed the current hedged price for west surplus sales, which for the on peak is $28.05/MWh with 25.4% hedged and for the off-peak is $22.42/MWh with 25% hedged.

He reviewed the Palo Verde On-Peak Forward Curve which, as of January 1, 2017, was $31.06/MWh for 2017, $28.64/MWh for 2018, $29.21/MWh for 2019, $32.53/MWh for 2020 and $33.53/MWh for 2021.

The December settled financial hedges for 100 MW of power resulted in a net gain of $195,589.

He reviewed the MTM power gain of $500,000, which does not include the $33.7 million MTM loss on a long-term physical contract. He reviewed the month-to-month change in MTM-power.

He reviewed the current hedge position for diesel, which reflected an average 2017-hedged price of $2.43/gallon with 48.8% hedged and $2.56/gallon for 2018 with 36.1% hedged. He reviewed the Energy Information Agency's on-highway diesel price projections. The December settled financial hedges for diesel resulted in a gain of $20,937 on a 77,000-gallon diesel hedge. As of December 31, 2016, the diesel MTM was a gain of $459,000. He reviewed the month-to-month change in the MTM-diesel.

The aggregate settlement for all commodities for the month was $334,094 and for 2016 was $652,779, which does not include the MTM gain/loss on premiums and ineffective hedges. He then reviewed the MTM ($1.2 million) loss for all commodity hedges, which does not include the ($33.7 million) MTM loss on a long-term physical contract. He also reviewed the Cooperative's liquidity position and credit exposure by Moody's Investor Service credit ratings.

10. <u>Marketing & Asset Management Report</u>

Manager of Marketing & Financial Analytics Valerie Weigel reported that numerous gas and combined-cycle plants are under construction in the Ohio and Pennsylvania areas. Currently, there is a 1,650 MW combined-cycle unit and 2,280 MW of gas units in Ohio and 1,658 MW of gas units in Pennsylvania that are under construction to fill the void created by coal plant retirements.

There are also several plants in the planning stages including 1,150 MW of gas units and a conversion of an 850 MW gas unit to a 1,414 MW combined-cycle unit for the same area.

<u>Southwest Power Pool/Montana December Highlights</u>. In the Southwest Power Pool (**SPP**), the average transacted load zone purchases were $24.98 versus a budgeted price of $29.11. The average transacted sales price was $23.81 versus a budgeted price of $26.13. All day-ahead congestion was covered and produced a margin of approximately $700,000. Strong congestion in Kansas and Oklahoma benefitted our load zone pricing. Four hundred fifty MW of new wind was added to Basin Electric's SPP resource fleet in December, with an additional 50 MW from Lindahl to be added in January. The new Pioneer Generating Station (**PGS**) reciprocating engines were prepared for market offerings as of January 1, 2017. The George Neal (**Neal**) Unit 4 economic outage continues.

Basin Electric held a short position the first half of December (Antelope Valley Station (**AVS**) #1 was offline December 1-5) while the second half of December saw the position fluctuate based on market conditions and unit availability. Low prices were experienced on Christmas Day due to low overall demand and more wind in the market.

December generation sales prices and load purchase prices were higher at the beginning of the month with increased loads and were reduced toward month-end given the additional wind generation.

Ms. Weigel reviewed wind-to-load penetration levels and the new Basin Electric and SPP. The disparity between North and South Hub pricing has increased since July. The first half of 2016 averaged a $3.50/MWh difference, while the last half of 2016 averaged almost a $7.00/MWh difference. Additional wind generation in the Oklahoma area has caused transmission constraints on the system in that area. In addition, there are north-to-south constraints that do not allow power to fully flow from the north to serve the south.

<u>West December Highlights</u>. The average transacted sales price was approximately $23.69 versus the budget of $27.55. There was an outage on the Laramie River Station (**LRS**)-to-Ault line the first eight days of December which resulted in a significant decrease in sales opportunities as the front range of Colorado is a key market area for surplus sales. This outage also resulted in reliability system conditions that resulted in significant derates on LRS #2 and #3. The Ault-to-Craig line was out of service the following week and had similar impacts to these units.

Midwest Independent System Operator December Highlights. The average transacted load zone purchases were $24.46 versus the budgeted price of $26.35. The average transacted sales price was $25.46 versus the budget of $22.27. Economic derates continued in Midwest Independent System Operator (**MISO**) at Walter Scott Energy Center #4 and Neal. Unit costs ranged from $12/MWh to $15/MWh. Effective March 1, 2017, the Neal and Duane Arnold Energy Center units are being moved into MISO.

11. Cooperative Planning Report

Vice President of Cooperative Planning Dave Raatz reported that Basin Electric's Class A member peak was just under 3700 MW which is 100 MW higher than the previous all-time high in January of 2015. Member loads continue to grow. To date, sales in January are down slightly from December.

A. Nemadji Trio Energy Center Follow-Up

Mr. Raatz reported that Minnesota Power (**MN Power**) chose not to move forward with the Nemadji Trio Energy Center project as discussed. Basin Electric staff is developing a game plan moving forward based upon the new load forecast. He reported that MN Power and Dairyland Power Cooperative are now discussing proceeding with a 550 MW combined-cycle project at the same site.

B. Marshalltown Combined-Cycle Participation Options

Mr. Raatz reported that Alliant Energy is constructing a 650 MW two-by-one F Class combined-cycle generation station near Marshalltown, Iowa (which is in MISO Zone 3) to be operational the second quarter of 2017. Alliant has sent letters asking if Basin Electric and Corn Belt are interested in power purchase agreements for power from this station.

Southern Minnesota Electric Cooperative has approached Basin Electric regarding our interest in participating in this resource to serve 2 MW of Basin Electric member load. Expressions of interest are due January 31, 2017.

As Basin Electric has surplus capacity in MISO Zone 3 well into the future, Mr. Raatz recommended we notify the parties that Basin Electric is not interested in a share of the Marshalltown Generation Station. The Directors agreed.

C. Public Utility Regulatory Policies Act

Mr. Raatz reported that the public notice period regarding our members' assignment of their Public Utility Regulatory Policies Act (**PURPA**) obligations greater than 150 KW to Basin Electric has been extended through mid-January. After the comment period ends, it will be determined if public meetings will be necessary. Staff hopes to make the Federal Energy Regulatory Commission filing in early February.

There are active large-project PURPA discussions among a number of Class A and C members regarding Prevailing Winds, which has taken a 200 MW project and broken it into smaller projects under the 20 MW threshold. They've submitted a PURPA application for each entity. We question whether they can legally break up a 200 MW project into 20 MW size projects and need further discussions to better understand this. On behalf of the Basin Electric cooperative family, we sent a letter to Prevailing Winds. We've typically been able to avoid PURPA issues because our low avoided cost.

Prelude has also tendered a PURPA power purchase agreement to several distribution cooperative members. Prelude claims that our cooperative member avoided cost is above 50 mills/kWh. Market prices are a lot lower and our avoided cost is significantly lower.

D. Minnkota Power Cooperative Analysis Update

Mr. Raatz reviewed the project timeline and noted that economic analysis continues. A Basin Electric/Minnkota Power Cooperative, Inc. (**Minnkota**) review and discussion is scheduled for January 12. The results will be presented to the Board in February, with a potential MAC conference call discussion following the Board meeting.

E. Rate Subcommittee

Mr. Raatz reported the January 9th Rate Subcommittee meeting agenda included distribution generation, standby rate, standard rate design, renewable/PURPA rates, demand period waiver analysis for 2018, other rates and the contract extension credit. The meeting resulted in 14 different action items for Basin Electric staff. A key driver is the members' request that we develop rates that address self-generation. We believe, as we go through some of these rate discussions, it would be a good idea to include an external third party to look at what others are doing. Staff has done some high-level estimates, but we would ask a consultant to look at load types, local projects and determine where the break-even point is. Staff will develop a scope of work and visit with the Rate Subcommittee.

Stand-by service rates were also discussed. We develop a standby service rate and then we work with the members and the members naturally look out for their consumer/members. The question is, what is the right strategy? We know we have to address different load factor levels of service. If someone wants a waste heat project and they have an ethanol project that operates most of the hours in a given month, it would be relatively easy to come up with an appropriate rate. It's different if they have a diesel generator that's at the end of its life. As we review, we will look at what others are doing, the justification for the standby rate and the potential challenges associated with such a rate.

Basin Electric staff will have discussions with the Rate Subcommittee and MAC to determine if the membership believes rate structure changes should be made and such recommendations will be reviewed with the Board.

We will discuss with Board stand-by rate modifications which could potentially be adopted/approved in February. This rate modification would eliminate the need for separate metering for a load receiving stand-by service and would result in a stand-by demand assessment increase.

We will schedule at least three additional Rate Subcommittee meetings before June, probably at the end of February, at the end of March and at the end of May and then schedule two additional meetings in the second half of 2017.

F. Managers Advisory Committee Agenda

Mr. Raatz reported that agenda items for the January 18-19 MAC meeting include an update on the Mountain West Regional Transmission Group (**MWTG**) organization, DGC topics, Rate Subcommittee discussion update, strategic objectives, 2017 Cooperative Plan, PURPA assignment update, marketing update, Minnkota analysis, transmission service mitigation and Building Cooperative Connections.

G. Tri-State Discussions

Mr. Raatz reported that Tri-State Generation & Transmission Association, Inc. (**Tri-State**) has expressed its appreciation for the Basin Electric Board's approval of contract modifications and continues to request more information on the calculation of the contract extension credit.

H. 2017 Load Forecast

Load Forecast Analyst Jay Lundstrom reported that the 2017 load forecast is more rigorous process than the forecast update and more detailed than the quarterly forecast. It includes residential price forecasts and updates the member narratives. All data was refreshed and all models were respecified. It includes a detailed energy sector analysis and will be fully approved by the Board. This is the first forecast that reflects the new pricing increases from the last few years. All energy sectors were reviewed. This Load Forecast will be approved by the distribution cooperatives, the G&Ts and Basin Electric and for the Rural Utilities Service (**RUS**) borrowers, will be submitted to RUS.

He then reviewed unemployment rates, the agricultural economy, the oil price forecast, assumed West Texas Intermediate prices, total Williston Basin oil wells, oil and gas production, North Dakota natural gas production and processing plant capacity and annual average drilling rigs in the Williston Basin.

The 2017 Forecast shows an increase in the 2035 summer obligation of approximately 900MW and an increase in the 2034/2035 winter obligation of approximately 1140MW. Overall growth in the service territory is projected to be approximately one percent annually as compared to the 0.68% national average.

Mr. Lundstrom then reviewed the load forecasts of each district of the Membership and recommended that the forecast be approved.

After discussion, it was moved by Director Presser, seconded by Director Thiessen and carried that the following Resolution be adopted:

R02.01-10-17 WHEREAS, Basin Electric Power Cooperative (**Basin Electric**) and its member systems have completed a detailed econometric forecast for the period of 2016 through 2035;

WHEREAS, the forecast was prepared in accordance with current Rural Utilities Service regulations using reasonable methodologies and assumptions;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Basin Electric does hereby adopt and approve the 2017 Load Forecast as a reasonable forecast of Basin Electric's future deliveries to its member systems.

12. Recess and Reconvention

At 4:40 p.m., President Peltier recessed the meeting until 8:00 a.m. January 11, 2017, at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost keeping the minutes.

13. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Paul Baker
Gary C. Drost
Mike McQuistion
Wayne Peltier
Roberta Rohrer
Leo Brekel
Charles Gilbert
Kermit Pearson
Troy Presser
Allen Thiessen

Said persons being all of the Directors of the Cooperative except Donald E. Applegate, who was absent. Also present were Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Jamey Backus, Tracie Bettenhausen, Dean Bray, John Jacobs, Eric Carufel, John Ciz, Tammy DeWitt, Mike Eggl, Matt Greek, Steve Johnson, Becky Kern, Janet Kubisiak, Tom Leingang, Jim Lund, Shawnel Maxwell, Gavin McCollam, Diane Paul, Mike Paul, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Trenton Schwahn, Jim Sheldon, Bill Stafford, Myron Steckler, Kevin Tschosik, Amanda Wangler, Michelle Wiedrich and Mike Zimmerman. Also present were DGC Vice President David J. Sauer, East River director Pat Horan and Corn Belt manager Ken Kuyper.

14. Operations Report

Senior Vice President - Operations John Jacobs reported that there was one medical treatment and one Days Away, Restricted or Transferred (**DART**) incident at AVS during the month.

He provided bus-bar costs for the coal-fired fleet (the Leland Olds Station (**LOS**), AVS, LRS and the Dry Fork Station (**DFS**)), reviewed the equivalent forced-outage rate trends for the past 24-month period and reviewed the year-to-date running plant capacity factors (**RPCF**) for the coal units. December generation for the owned and operated Basin Electric fleet came in at 2,406,899 MW compared to the budget of 2,793,483 MW, which is 13.8% under budget for the month. Year-to-date generation is 5.7% below budget.

Unit	Monthly Availability	Running Plant Capacity Factor (net)	Unit Rating	Comments
AVS #1	87.47%	95.8%	450 MW	12/1 forced outage-boiler tube leak repair.
AVS #2	100%	93.3%	450 MW	
DFS	90.69%	101.59%	386 MW	12/15 forced outage-high drum level and 12/16 scheduled outage-repair water wall tube leak.
LRS #1	99.86%	67.32%	570 MW	12/06 forced outage-tripped on furnace pressure 1B 1D fan blade pitch controls.

LRS #2	100%	78.95%	570 MW	Continued from last month-line restriction which constrained Units #2 & #3 to less than 300 MW each.
LRS #3	100%	79.78%	570 MW	
LOS #1	100%	81.29%	221 MW	
LOS #2	100%	85.29%	448 MW	

Mr. Jacobs presented photographs of the snow accumulations at AVS and of tube leaks and arcing at DFS caused by snow atomization at the 13.8-kV transformers. From November 15 to December 15, 46 trains delivered 299,000 tons to LRS. This ties the record for the highest number of trains in a 30-day period.

Integrated Test Center Update. Mr. Jacobs reported that design of the Integrated Test Center (**ITC**) media center was finalized and the location of the ITC media center and restroom facility to utilize a single vault was approved. Limestone installation of the large test center was completed, topsoil was stripped and matting and limestone were laid down in the laydown and parking areas. The general work contractor offices were mobilized, the 3,000-kva transformer for the large test center was received, weekly progress meetings with the general work contractor have begun and stripping small test center has begun. To date, the state of Wyoming has been billed $2.4 million and has reimbursed us for approximately $2 million. The one application received for the large test center is still being vetted.

A. Distributed Generation Update

Distributed Generation Manager Kevin Tschosik reported that natural gas prices for the distributed generating facilities (Groton Generating Station (**GGS**), Culbertson Combustion Turbine (**CCT**), Wyoming Distributed Generation (**WDG**), Spirit Mound Station (**SMS**), Deer Creek Station (**DCS**), PGS and Lonesome Creek Station (**LCS**)) were up during the month. December generation at the distributed generation facilities was as follows:

Unit	Dec. Availability	Dec. Generation	Unit Rating	Comments
Culbertson CT	92.39%	3,935 MW	97 MW	Ran mostly for load demand.
DCS	97.58%	25,728 MW	300 MW	Ran for load demand.
Groton #1	69.98%	779 MW	100 MW	Ran for load demand. Problems with variable bleed fan system and com.
Groton #2	89.48%	6,526 MW	100 MW	Ran for load demand.

LCS #1	88.89%	13,796 MW	45 MW	Ran for load demand and reliability. #1 hydraulic motor replaced. Line fault took all three units down.
LCS #2	98.52%	25,938 MW	45 MW	
LCS #3	97.95%	25,626 MW	45 MW	
PGS #1	72.01%	2,220 MW	45 MW	#2 lower NDE generator bearing. All PGS units ran for load demand and reliability.
PGS #2	54.95%	3,035 MW	45 MW	
PGS #3	93.87%	3,349 MW	45 MW	
SMS #1	100%	0 MW	60 MW	Did not run.
SMS #2	100%	0 MW	60 MW	
WDG	86%	48 MW	45 MW	

LCS ran in synchronous condensing mode for 155.32 hours and PGS for 662.43 hours during December. There were 21 spinning reserve calls on the west side during the month.

PrairieWinds ND (PWND). Semi-annual maintenance is 100% complete. He presented photographs of and discussed how much snow had to be moved so staff could reach the wind towers.

PrairieWinds SD (PWSD). Annual maintenance is 79% complete.

The east-side peak occurred on December 18, 2016 at 0800 hours. At that time, wind generation was as follows:

Wind Project	Load Factor during the Peak	Capacity Factor		Project Total
		Month	2016	
Baldwin	85 MW	58%	49%	99 MW
Campbell County	74 MW	58%	49%	98 MW
Day County	82 MW	63%	56%	99 MW
Edgeley	22 MW	39%	35%	40 MW
Highmore	27 MW	47%	42%	40 MW
Iowa Wind	14 MW	52%	41%	45.1 MW
Other Projects (Chamberlain & Pipestone)	0 MW	28%	25%	3.4 MW

PWND	101 MW	55%	47%	123 MW
PWSD	101 MW	62%	50%	162 MW
Wilton	46 MW	45%	45%	99 MW
Total Monthly Wind Generation	552 MW	48%		800 MW
Average Capacity Factor		51%	44%	

Mr. Tschosik then reviewed 2016 statistics as follows:

Project	2016 Actual Generation NMW	2016 Budgeted Generation NMW	2016 Avail-ability %	2016 Capacity Factor %	2016 Run Hours
PGS #1 PGS #2 PGS #3	All 3 units 304,888	100,530	87.25 91.38 90.97	27.67 26.50 23.18	3358 3209 2810
LCS #1 LCS #2 LCS #3	All 3 units 698,702	278,510	88.88 91.32 91.87	49.13 65.07 63.05	6075 7395 7284
Culbertson	96,072	39,960	82.22	11.31	2188
Groton #1 Groton #2	101,595	76,890	82.86 87.67	2.35 9.85	644 1856
DCS	719,804	517,240	87.99	27.39	3897
PWND	470,595	439,690	97.59	43.00	
PWSD	658,696	606,300	97.27	50.00	

Mr. Tschosik reported that the reciprocating engines were placed into commercial operation for the SPP Market on January 1, 2017. Units 11-13 (separate generators and separate meters) were offered individually and meters 14-16, 17-19 and 20-22 (one generator and meter) were offered into the market as separate three-packs.

B. Leland Olds Station Plant Update

LOS Plant Manager Jamey Backus reported that the LOS employees have worked 3,212,800 hours since the last DART case.

Defined activities for the "Our Power, My Safety" (**OPMS**) program were changed. Safety improvements included installation of exhaust fans to cool the Unit #2 12th floor, installation of a larger platform on the Unit #2 upper man lift and implementation of a gun safety course to prepare employees to safely use shotguns to remove slag in the boiler.

In 2016, LOS generated 102.1% of budgeted generation. Unit #1 generated 115% of budgeted generation, had 95.9% availability and 79.4% net RPCF. Unit #2 generated 96.7% of budgeted generation, had 93.26% availability and 82.8% net RPCF. The net RPCF were affected by selective non-catalytic reduction (**SNCR**) testing.

Mr. Backus then reviewed the LOS outages that occurred during the second half of 2016. In addition, derates were taken for boiler cleaning, repair of the Unit #1 traveling screen, ID booster fan bearing replacement, removal of a concrete log from the Unit #1 intake structure, replacement of the ball-mill liner in the scrubber and for SNCR testing and optimization.

He reported that new NO_X limits will go into effect in April 2017. Unit #1 will be limited to 0.21 lbs./million BTU and Unit #2 will be limited to 0.31 lbs./million BTU. This will be a reduction of 30% for Unit #1 and a reduction of 30% at full load and 40% at low load for Unit #2. Mr. Backus then presented photographs of the SNCR and discussed the commissioning and long-term challenges it presents. He presented photographs and discussed removal of the old Unit #2 stack liner.

He discussed the three recent major snow events and reported that operators and coal and yard employees were held over twice recently, once due to employees not being able to get to work during a snowstorm and once to prepare for an imminent snowstorm and help the on-duty crew.

On January 1, the coal inventory contained 327,174 tons of lignite and 95,740 tons of Powder River Basin (**PRB**) coal. We are in significantly better shape than the winter of 2013 when the coal inventory dropped to 109,079 tons of lignite and 133,198 tons of PRB coal.

Train deliveries can be effected by logistics between AVS, DGC and the coal mine, car-unloading problems at LOS and BNSF Railway Company (**BNSF**) crew shortages. Given the increased rail traffic, managing these logistics has gotten more complicated and challenging. Steps to mitigate lost opportunities include coal quality meetings at The Coteau Properties Company that include logistic discussions. Given the lower inventory level, the BNSF has been asked to provide enhanced service as it did in the winter of 2013-2014.

15. Engineering & Construction Report

A. Project Funding Chart

Senior Vice President-Engineering & Construction Matt Greek reported that three Basin Electric contracts totaling $28 million would be presented for approval this month. He presented the list of all current major projects along with the approved budget amount, total dollars committed and completion dates.

B. Approval of LRS Units #2 & #3 SNCR Project

Senior Project Manager Jim Lund reported that under the terms of the Environmental Protection Agency (**EPA**) 2014 Regional Haze Federal Implementation Plan settlement, Unit #1 NO_X limits will be 0.06 lbs./MMBtu (starting in July 2019) and Units #2 and #3 NO_X limits will be 0.15 lbs./MMBtu (starting in January 2019).

Planned Selective Catalytic Reduction (**SCR**)/SNCR project Board action items include SNCR capital project phase #2 amendment and SNCR process equipment this month, SCR ductwork and steel general works in March 2017 and SCR ID fan/balance of plant and SNCR general works in February of 2018. Related capital projects include a new cold-storage warehouse scheduled for completion in January 2019 and a new maintenance facility.

SNCR project goals include compliance with Regional Haze emission limits as determined by the settlement negotiated with the EPA, installation and in-service of the SNCR on LRS Units #2 and #3 by January 2019 with NO_X emission levels at or below 0.15 lbs./MMBtu with 100% availability and 98% reliability, zero recordable safety incidents for both contract and Cooperative employees and achieving compliance, schedule and safety goals within the approved budget.

Sargent & Lundy's SNCR project scope includes SNCR supply and installation, dry urea unloading and solutionizing with liquid urea fill backup, upgrading the existing reverse osmosis capacity at the water treatment plant, repurpose the Unit #3 mechanics shop for SNCR process equipment, balance-of-plant interface (distributed control system controls, compressed air, electrical) and engineering, construction management and commissioning.

The owner's scope includes Basin Electric labor and overhead, contracted services (site support, urea and permits), sales tax and interest during construction.

Shared resources with the SCR project include Basin Electric project team and site manager, Sargent & Lundy engineering and construction management, compressed air and power supply systems and the second phase of the general works contract. Sharing these resources with the SCR project should result in an estimated $4.5 million in savings. He presented a diagram of the overall process flow and the plant site location.

Mr. Lund then reviewed Sargent & Lundy's project cost summary for the SNCR Phase 2 estimate for engineering, construction management, commissioning, process equipment, balance-of-plant equipment, construction, escalation and contingency totaling $43,545.522 and the Owner's Phase 2 estimate of $6,193,483 for Basin Electric labor and overhead, contracted services, sales tax and interest during construction for a Phase 2 total of $49,739,483.

He then recommended approval of the amendment of Capital Project W13119, LRS SNCR) to include installation of an SNCR on both LRS Units #2 and #3 by January 2019 for $49,739,483 ($21,640,435 Basin Electric's cost).

After discussion, it was moved by Director Presser, seconded by Director Thiessen and carried that the following Resolution be adopted:

R03.01-10-17 RESOLVED, that Capital Project W13119 (LRS SNCR), be amended to include installation of an SNCR on both LRS Units #2 and #3 by January 2019 in the amount of $49,739,483 ($21,640,435 Basin Electric Cost); and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee be authorized to execute the required documents accordingly.

C. Award of LRS SNCR Process Equipment Contract

Mr. Lund reported that the scope of this contract is for design and equipment supply for the urea receiving, solutionizing and distribution, furnace combustion modeling and injection port locations, process controls, construction support and training and commissioning and tuning. The budget is $5,374,000. There were two pre-qualified bidders, Fuel-Tech Inc. and STEAG SCR-Tech, Inc. After reviewing the bids, he recommended the contract be awarded to Fuel-Tech Inc. based on proposal price, industry experience and technical and commercial performance in the amount of $4,349,420.

After discussion, it was moved by Director Gilbert, seconded by Director Drost and carried that the following Resolution be adopted:

R04.01-10-17 RESOLVED, that Contract No. 723459 (Project W13119) LRS SNCR Process Equipment Contract, be awarded to Fuel-Tech Inc. in the amount of $4,350,000 ($1,835,700 Basin Electric cost); and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee be authorized to execute the required documents accordingly.

D. Approval of LRS Unit #1 480-Volt Electrical Upgrades

Electrical Engineer Trenton Schwahn reported that the 480-volt electrical equipment in the main plant has reached the end of its useful life and requires replacement to ensure safe, reliable and maintainable operations. The project scope is to replace all of the main plant existing Motor Control Centers, 480-volt switchgear, transformers and tie bus associated with LRS Unit #1. The project includes six new lineups of 480-volt switchgear, six new 480-volt motor control centers, six new 1500/2000 kVA 6900-volt-480-volt dry-type transformers and a new LRS Unit #1 tie bus. He presented photographs of and discussed the equipment to be upgraded. All of the new equipment is arc-resistant.

The Class 2 estimated project cost is $11 million. Mr. Schwahn reviewed the project schedule and noted that these upgrades will require two outages, one in the fall of 2017 and one in the spring of 2018. He recommended the project be approved.

After discussion, it was moved by Director Brekel, seconded by Director Pearson and carried that the following Resolution be adopted:

R05.01-10-17 RESOLVED, that the LRS Unit #1 Main Plant 480-Volt Electrical Upgrade Project, presented to this meeting of the Board of Directors with an estimated cost of $11 million ($4,649,100 Basin Electric cost) be approved; and

BE IT FURTHER RESOLVED, that the CEO and General Manager, or his designee be authorized to execute the required documents.

E. LRS Warehouse Project Closeout Update

Civil Engineer Megan Milbradt reported that construction of the new LRS Warehouse began in October 2014, the project was substantially completed in October of 2015 and the building was occupied by LRS personnel in December of 2015. The project was closed out in December of 2016. The building contractor was Ormond Builders Inc. (**Ormond**) and the racking contractor was Lynch Materials & Handling.

The project scope called for 62,500 square feet of heated warehouse with office area for warehouse personnel that provides one consolidated warehouse space for LRS storage. The warehouse is located outside the main plant facility so as to allow for deliveries without requiring access to the plant site providing improved security by keeping outside vendors off the plant site.

The initial in-service date was September 2015 and included construction of the building only. Racking could not be installed concurrently. Ormond completed building construction in early October 2015. The in-service date was changed to January 2016 to accommodate installation of the racking. The initial racking installation was completed in December 2015 and additional racking was installed in February 2016. In January 2016, the project scope was expanded to include an emergency safety shower in the chemical storage room, which Ormond installed while on-site for the bulk warehouse project and completed in November 2016. Ms. Milbradt presented photographs of and discussed the new warehouse facilities.

She reported that there was one personal injury during the course of this project when a contractor's employee tripped while exiting the bed of his pick-up truck causing him to fall and break his arm. There were three property incidents, which she reviewed.

She reviewed the costs of the major contracts. The approved budget was $12.3 million. The projected final cost is $11.2 million.

Construction of the LRS Bulk Warehouse began in May 2016. It is located 75 feet north of the main warehouse and contains 54,000 square feet of unheated storage space. Ormond was hired to design and build the bulk warehouse, which replaces the existing bulk storage which will be demolished to make room for the SCR project. The building is substantially complete and LRS staff has begun moving inventory into it.

F. Horizons Team Update

Reliability & Performance Engineering Supervisor Jim Sheldon reported on the activities of the Horizons group. Under the team's charter, the Horizon's group reviews and advises the Cooperative on emerging trends and technologies that might be of value to the Cooperative. With respect to emerging trends, discussion topics were energy storage and electric vehicles. Emerging technologies discussion topics were CO_2 conversion, the Allam Cycle and saline sequestration of CO_2.

Energy storage technologies discussed included pumped hydro storage, compressed air energy storage, advanced rail energy storage and three batteries (Ni-Cd, Li-Ion and Zinc Titanium Flow). Currently, the on-peak and off-peak differentials are too small to economically justify such an energy storage project. Generating the power utilizing a fossil-fuel peaking resource remains the most cost effective method to serve peak load.

He reported that the current storage capacity of electric vehicles is 7 kWh to 80 kWh and the current range is up to 200 miles. Some electric vehicles come with a 10-year/100,000-mile warranty. There is a $7,500 federal tax credit, with possible state tax credits. The vehicles cost between $30,000 and $80,000. California has approximately half of all of the electric vehicles in the country today. However, that represents only 0.3% of the vehicles on the road in California.

If the Basin Electric service area had an equivalent concentration of electric vehicles (three out of every 1,000), the daily energy consumption due to electric vehicles would be an estimated at 1,100 MWh. This assumes each vehicle is capable of storing 80 kWh and discharges 75% of the stored energy on a daily basis. The vehicles being charged over a 10-hour nighttime period would result in roughly 110 MW of increased nighttime demand. Major transmission issues would not be expected assuming such a load is spread over the service area. In summary, no significant near-term impact is expected in the Basin Electric service area due to the trend of electric vehicles.

Mr. Sheldon then briefly discussed the following emerging technologies:

CO_2 to Diesel or Ethanol. The beneficial reuse of CO_2 has been a topic in news articles, but is much more difficult than it may seem. The combustion of hydrocarbons releases heat energy, water and carbon dioxide products. CO_2 to fuels utilizes electrolysis to break CO_2 and H_2O into CO and H_2 which are then fed into a Fischer Tropsch system to create liquid fuels. A significant amount of energy is needed to break apart the CO_2 molecule which makes it very difficult to economically utilize such a process. For reference, DGC has a leg up already having CO and H_2 and yet DGC continues to seek opportunities to economically create liquid fuels.

CO_2 to Carbon Nanofiber. Another beneficial reuse idea is the concept of converting CO_2 to nanofibers. A George Washington University paper indicates 219 kJ of energy would be needed per mole of CO_2 to make the nanofiber. After unit conversions, the energy consumption translates to 1.26 MWh per ton of CO_2. Implementing this process at a coal plant would mean that the plant would no longer be a net generator of electricity as the plant would consume more to convert CO_2 to nanofibers than it generates.

Mr. Sheldon then briefly discussed the following research and development activities:

Allam Cycle. He noted that the motivation to support the Allam Cycle technology is that the projected capital and operating expenditures are similar to today's natural gas combined-cycle facilities. Unfortunately, the U.S. Department of Energy (**DOE**) is currently not supporting this technology.

NET Power Demonstration Project. This is a natural gas fueled, 50 MW_{th} or 25 MW_e demonstration plant utilizing the Allam Cycle. Combustor testing is scheduled in mid-2017 and complete cycle testing is to follow. The super critical carbon dioxide Toshiba Turbine is now on site.

ND Allam Cycle on Lignite. There are four key research and development areas: (1) corrosion management, (2) gasifier selection, (3) impurity management and (4) syngas combustor testing. No showstoppers have been identified to date.

In corrosion management testing, all six materials survived well, 304 stainless steel is the cheapest and AL-6XN stainless steel is a known commodity and is used at the synfuels plant today. The next steps will be dynamic testing of these materials.

Saline Sequestration of CO_2. Basin Electric has supported the Energy and Environmental Research Center in its efforts to acquire DOE grant funding for study of CO_2 injection in to underground saline formations. Basin Electric has been notified that funding has been acquired for study work near the DFS plant and the AVS/synfuels plant site. Staff is clarifying the scope of work and gearing up to support these study efforts.

In 2017, the Horizons Team will continue to evaluate research and development support opportunities and respond to inquiries on technologies. The team will continue to identify emerging trends to learn, quantify and report their potential impacts.

16. Transmission Report

Senior Vice President of Transmission Mike Risan reported that as of December 30, 2016, the Transmission System Maintenance (**TSM**) Division had worked 59 days without a DART incident. He presented photographs of ice-covered transmission lines and described the damage to area transmission caused by recent ice and snowstorms. Basin Electric had no forced outages but did have to repair damaged static peaks on the LOS-to-Groton 345 kV line. TSM personnel also assisted MN Power with snow removal so they could access their facilities.

Williston Load Pocket. He noted that the Williston load pocket hit a new all-time peak of 997 MW on December 17. Staff has finalized or is in the process of finalizing agreements with Mountrail-Williams Electric Cooperative and McKenzie Electric Cooperative on joint project sharing agreements.

SPP. Mr. Risan will attend the next SPP board/members meeting which will take place at the end of January. SPP had previously issued to the Cooperative a Notice to Construct the second phase of the North Killdeer Loop subject to two conditions: (1) We are required to give them a plus or minus 20% cost estimate, and (2) after we've begun construction, if those costs exceed 30%, we are required to immediately notify SPP. We recently received a follow up Notice to Construct which removed the first condition in recognition of the Cooperative providing the required cost estimate. On a related note, staff advised SPP of the reduced load forecast in the Bakken and asked if Basin Electric should continue with construction of the second phase of the North Killdeer Loop. We will respond in writing that we're committed to build the North Killdeer Loop if so directed by SPP.

Mountain West Transmission Group. Mr. Risan reported that the MWTG had a good meeting last week as all the original MWTG participants approved and signed the letter of understanding stating we collectively agree to have further discussion with SPP. If those discussions don't work out, MWTG may enter into discussions with other regional transmission organizations. A press release was issued on January 6. The first meeting with SPP will be held at Tri-State's offices on January 25. There are some parallel activities regarding refining the cost-shift models for transmission arrangements. Messrs. Risan, Christensen, Rutter and Raatz will attend the January 25 meeting on behalf of the Cooperative.

North American Electric Reliability Corporation. Mr. Risan reported on the North American Electric Reliability Corporation (**NERC**) registration requirements using the NERC functional model. He reported that we had recently registered as a Planning Coordinator in the Western Electricity Coordinating Council (**WECC**) region effective January 1, 2017. He also reviewed the upcoming changes to our internal compliance program which were discussed last month by Dave Rudolph. Basin Electric is in the process of changing its compliance arrangement with the membership. We plan to send the documents out later this week. There will be a facility matrix agreement, a coordinated functional registration agreement and a notice of termination for the existing reliability agreements with the members. After this, the affected members will individually register with NERC. The goal is to have the agreements in place by March 31, 2017.

17. Human Resources Report

Senior Vice President of Human Resources Diane Paul reported that 48 Basin Electric and DGC employees retired in 2016 compared to 68 in 2015, 40 in 2014 and 179 in 2013. So far this year, 34 employees have retired or have spoken with their supervisors about their intent to retire. She noted that 132 employees will be age 62 or more and 592 employees will be age 55 or more this year so this, coupled with potentially increasing interest rates in 2018, could be another year with a large number of retirements. She noted that an analysis is being done to determine the cost versus savings of hiring a radiology technician and purchasing a magnetic resonance imaging machine for medical services. Ms. Paul then provided an Equal Employment Opportunity Commission update.

A. Safety Update

Safety & Occupational Health Administrator Kelly Cozby reviewed the headquarters OPMS focus card participation since inception. A record high was achieved in December with 84% of the headquarters employees completing and returning the cards. She reported that she will be moving to the Learning & Development group and in the future, Blake Stoner and Auston Biles will be making the safety presentations to the Board. She then introduced Messrs. Stoner and Biles.

The OPMS Safety Perception survey will be conducted in February. The results will be used to help decide future direction. Continuous Improvement Team #4 will be addressing safety metrics.

B. OPMS Steering Committee 2016 Year-End Update

Ms. Cozby introduced OPMS Steering Team Chairman Gordon Goetz, who thanked the Board for putting employees' safety first. He reported that the OPMS program is a continuous improvement process. Caterpillar Steering Team meetings have been standardized to include sharing of positive safety events, current safety statistics, emerging legal requirements, education, an action item matrix, strategic plan review and facility updates.

The implementation of these safety initiatives is in line with austerity efforts and includes less travel for continuous improvement team members and better use of the Cooperative's communication tools. He then discussed how the OPMS programs are changing the safety culture at the Cooperative.

OPMS initiatives in 2017 include CI Team #4, Safety Metrics/Leading Indicators sharing what we are doing right, measuring what we do now, evaluating and understanding what is effective and evaluating the quality of content and conversations, as well as conducting the employee OPMS survey.

C. Investment Committee Update

Senior Vice President & Chief Financial Officer Steve Johnson reported that there have been positive returns in the global financial markets over the past three months. U.S. markets continue to demonstrate resiliency in spite of international market fragility. Returns on fixed income investments are forecast at 1.5% to 3% and returns on equities are forecast at 5% to 8%. Target Retirement Funds provide an investment glide path for many employees of various ages.

Plan fiduciaries have the following duties: exclusive purpose, prudence, diversification and documentation. To meet these obligations, fiduciaries must have a well-organized and effective committee, regularly select and monitor plan investments, oversee the administrative operation of the plan and be attentive to plan costs.

Mr. Johnson reported that our plans are designed with many of Vanguard's recommended features: Roth contributions are available, an employer match is provided, target date retirement funds are available and advice is available via telephone or on-line.

Vanguard's latest recommendations for consideration by the Investment Committee are: (1) allow employees to start contributing their funds immediately while still following existing eligibility guidelines for the employer match; and (2) allow employees the ability to convert pre-tax contributions to Roth contributions within the plan.

18. Financial Services Report

Mr. Johnson reported that total liquidity is approximately $550 million. We are planning a $500 million debt issuance this Spring. Due to the positive interest rate environment, he suggested a 40-year term rather than a 30-year term or perhaps a 30-year tranche and a 40-year tranche.

There was a run-up in rates after Donald Trump was elected due to his policy of enhanced growth which is expected to result in inflationary pressures. He reviewed some notes from the Federal Open Market Committee meeting concerning gross domestic product, wage growth, consumer confidence, economic outlook, interest rate outlook and market risks.

A. Amendment 12 to Revolving Credit Agreement between Basin Electric and DGC

Mr. Johnson reported that in December of 1998, a Revolving Credit Agreement was entered into between Basin Electric and DGC which established a $30 million revolving line of credit. This agreement has been amended several times to change the dollar amount DGC can borrow. The last amendment was in January of 2004 when the dollar amount was lowered from $270 million to $125 million. At that time, based on the financial forecast and projections, it was anticipated that DGC would no longer have need for $270 million.

This Revolving Credit Agreement is now at $125 million with $119.7 million outstanding. If the amount available is not increased, the cap will be exceeded next week. He recommended approval of Amendment #12 increasing the revolving credit amount available from $125 million to $300 million.

After discussion, it was moved by Director McQuistion, seconded by Director Brekel and carried that the following Resolution be adopted:

R06.01-10-17 RESOLVED, that the CEO & General Manager be authorized, on behalf of the Cooperative, to execute and deliver Amendment No. 12 to the Revolving Credit Agreement dated December 16, 1998 between Basin Electric Power Cooperative and Dakota Gasification Company, increasing the Revolving Credit Loan Amount available from $125 million to $300 million.

19. Recess for Board Audit Committee; Reconvention

At 11:10 a.m., President Peltier recessed the meeting until 11:45 a.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

20. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Paul Baker	Leo Brekel
Gary C. Drost	Charles Gilbert
Mike McQuistion	Kermit Pearson
Wayne Peltier	Troy Presser
Roberta Rohrer	Allen Thiessen

Said persons being all of the Directors of the Cooperative except Donald E. Applegate, who was absent. Also present were Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Andrea Blowers, John Jacobs, Eric Carufel, Tammy DeWitt, Mike Eggl, Matt Greek, Steve Johnson, Shawnel Maxwell, Gavin McCollam, Mike Paul, Curt Pearson, Dave Raatz, Mike Risan, Ken Rutter, Bill Stafford and Michelle Wiedrich. Also present were East River director Pat Horan and Corn Belt manager Ken Kuyper.

21. NRTC Annual Meeting - Delegate & Alternate

Mr. Peltier noted that a director and alternate director are needed to represent Basin Electric at the 2017 National Rural Telecommunications Cooperative (**NRTC**) annual meeting. After discussion, it was moved by Director Pearson, seconded by Director Gilbert and carried that Directors Thiessen and Drost serve as delegate and alternate, respectively, to the NRTC annual meeting.

22. CFC 2017 Annual Meeting - Delegate & Alternate

Director Peltier noted that the National Rural Utilities Cooperative Finance Corporation (**CFC**) Annual Meeting is scheduled for February 17, 2017 at the San Diego Convention Center, and that Basin Electric should name a delegate and alternate. After discussion, it was moved by Director Drost, seconded by Director Rohrer and carried that Directors Presser and Gilbert serve as delegate and alternate, respectively, to the 2017 CFC annual meeting.

23. Minnkota 2017 Membership Meeting - Delegate

Director Peltier reported that the 2017 Minnkota annual membership meeting is scheduled for April 7, 2017 and Basin Electric should name a delegate. Minnkota's bylaws do not allow alternate delegates. After discussion, it was moved by Director Drost, seconded by Director Pearson and carried that Director Presser serve as delegate to Minnkota's 2017 annual meeting.

24. Directors' Reports

Director Pearson reported that Lake Region Electric Cooperative (**Lake Region**) lost more than 400 poles, East River lost 496 structures and Western Area Power Administration (**Western**) lost all three lines going into the Summit Substation during the recent snowstorm. Western's lines were down from Sunday to Thursday night. East River and Lake Region are very appreciative for the line crew assistance from cooperatives in unaffected regions.

Director McQuistion reported that Rushmore Electric Cooperative experienced similar damage during the same snowstorm.

Director Presser reported that Dakota Valley Electric Cooperative lost more than 200 poles during the snowstorm.

Director Gilbert reported that Corn Belt will be sending directors and managers to the Basin Electric Board meetings on a more regular basis to learn how things work at Basin Electric. His local distribution cooperative is participating in a community solar project. Local ethanol plants are talking about installing self-generation, creating a great deal of interesting discussions at his distribution cooperative and at Corn Belt on what this means and how to address it.

Director Drost reported that Sioux Valley Energy (**Sioux Valley**) also experienced damage during the recent snowstorm. Once repairs were complete, Sioux Valley then helped repair the damage at Whetstone Valley Electric Cooperative.

Director Peltier thanked the Directors for moving the February Board meeting date so he can attend the Minnesota Statewide meeting.

25. Recess and Reconvention

At 11:55 a.m., President Peltier recessed the meeting until 1:00 p.m., at which time the meeting reconvened with President Peltier continuing to preside and Secretary Gary C. Drost continuing to keep the minutes.

26. Roll Call

After calling the roll, the Secretary reported the following Directors present:

Paul Baker	Leo Brekel
Gary C. Drost	Charles Gilbert
Mike McQuistion	Kermit Pearson
Wayne Peltier	Troy Presser
Roberta Rohrer	Allen Thiessen

Said persons being all of the Directors of the Cooperative except Donald E. Applegate, who was absent. Also present were Chief Executive Officer & General Manager Paul M. Sukut, Assistant Secretary Mark D. Foss and Basin Electric staff members Ryan Anderson, Tracie Bettenhausen, Eric Carufel, Ted Cash, Tammy DeWitt, Mike Eggl, Matt Greek, Mark Kinzler, Anine Lambert, Sally Meier, Mary Miller, Dale Niezwaag, Mike Paul, Curt Pearson, R.D. Reimers, Mike Risan, Jean Shaffer, Bill Stafford, Steve Tomac, Chris VandeVenter and Michelle Wiedrich. Also present were East River director Pat Horan and Corn Belt manager Ken Kuyper.

27. Communications & Administration Report

A. Federal Legislative Update

Mr. Eggl introduced Elizabeth Gore and John Hrobsky from the Washington, D.C. consulting firm of Brownstein, Farber, Hyatt & Schreck. They discussed President-Elect Trump's cabinet nominees, Energy and Environment Committee agendas, the Clean Power Plan, other regulations and policies and 2017 Congressional priorities.

Senior Vice President of Communications & Administration Mike Eggl reported that Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wyoming have legislative sessions this year. Republicans gained control of the senates in Iowa and Minnesota. Republicans control the North Dakota legislature 119 to 22.

Senior Legislative Representative Dale Niezwaag reported that the North Dakota Legislature started last week. To date, there are 270 prefiled bills. Staff reviews each bill to determine whether they are good, bad or indifferent to Basin Electric. There is a hearing on the DGC tax bill tomorrow. He noted that there had been a call this morning to discuss a cyber security bill that would have made Basin Electric's cyber security plans a public record.

He reported that North Dakota Governor Doug Burgum brought his own people in from the private sector and one is now head of operations and another is the head of administration. These individuals are seen at a lot of hearings. The Governor has not yet proposed a budget. In his state of the state address given before he left office, Governor Dalrymple included a budget that would provide approximately $7 million toward Allam Cycle research. The Legislature then said that Governor Dalrymple's revenue budget was too rosy and slashed the budget. Mr. Niezwaag noted there are 35 new legislators in North Dakota, but the bill count is down by about half.

Mr. Niezwaag noted that the Iowa legislature starts this week.

Senior Legislative Representative Steve Tomac reported that as he focuses in Montana and Iowa, he finds a strong relationship with the statewide is crucial. Actions are focused from and through the statewide. Montana Cooperative Day was on January 9. Right of First Refusal legislation has not yet been finalized, but is well positioned.

The South Dakota Legislature is just starting this week. Mr. Tomac will be there tomorrow and Friday for the South Dakota Rural Electric Association (**SDREA**) annual meeting. There are no initiatives this year. Initiated Measure 22 passed in November and places a limit on contributions legislators can receive. As a result, South Dakota legislators did not attend the SDREA pre-session meetings.

Mr. Tomac reported that he applauds the efforts of Minnesota Statewide manager Jim Horan and his assistant Jenny Glumack to stop the Minnesota Public Utilities Commission (**MNPUC**) from overstepping its bounds. Cooperatives are exempt, but the MNPUC constantly tries to make cooperatives report. Senior Attorney Casey Jacobson has stated that of all the states in which Basin Electric operates, 90% of her time is spent on Minnesota reporting activities, despite the fact that Basin Electric owns no transmission or generation assets in Minnesota. This is a proactive effort by the Minnesota Statewide to try to get the MNPUC to back off. Mr. Tomac noted that the Minnesota Statewide has good sponsors and that he will try to assist.

Director of Wyoming Government Relations Bill Stafford reported that Wyoming U.S. Senator Mike Enzi has been named to head the Senate Budget Committee and pledged to end Obamacare. Wyoming U.S. Senator John Barasso is head of the Senate Environment and Public Works Committee.

The Wyoming legislative session began yesterday and Governor Matt Mead gave the state of the state speech today. Wyoming is short $1.1 billion and the Legislature has a lot of bills looking to raise revenue or cut spending, but to date there is nothing that would affect Basin Electric or the Missouri Basin Power Project. To date, 200 bills have been proposed. Usually by this time there would be approximately 600 proposed bills.

B. Board Policies

Mr. Eggl noted that Board Policy #2, Fiscal (et al.) Policy, was reviewed by the internal committee and no revisions were recommended. It was presented to the Board in October 2016 for review. In December, the Board requested the specific 3% margin language be stricken prior to approval. The policy has been revised as requested and he asked for direction.

After discussion, it was moved by Director Brekel, seconded by Director Thiessen and carried that the following Resolution be adopted:

R07.01-10-17 BE IT HEREBY RESOLVED, the Board hereby adopts revised Board Policy 02- Fiscal Policy (et al.) for Basin Electric Power Cooperative presented at this regularly scheduled meeting held on January 11, 2017, and included in the meeting materials, superseding and replacing all prior statements and versions of the policy.

Mr. Eggl reported that Board Policy #03, Diversity Policy, was reviewed by an internal committee and no revisions were recommended. It was presented to the Board for review and revisions in December. He recommended approval of Board Policy #03. The Board reaffirmed this policy.

Mr. Eggl then distributed Board Policy #4, Manager's Advisory Committee, for review and noted that it would be presented for approval in February.

He noted that the Mission/Vision statement was developed through input from the Board, employees and the MAC. The MAC rewrote the Vision Statement. Draft mission and vision statements were presented to the Board, revised and forwarded to the membership at 2015 annual meeting. The Vision Statement was revised to "Members served. Members owned."

He noted that a Mission Statement should be as short, clear and as concise as possible. The statement says who the organization is, what it does, for whom and where. The best vision statements describe outcomes that are five to 10 years away, although some look even further out.

Based on that, proposed next steps are to convene a small internal working group to review and bring any proposed revisions to Board for first review; send any proposed revisions to the Resolutions Committee and the MAC; come back to the Board for final review prior to annual meeting. The Mission Statement would then be presented to the membership for its consideration at the 2017 annual meeting. The Board agreed.

He presented the current Vision and Mission Statement:

"Basin Electric Power Cooperative provides reliable, low-cost wholesale power, along with value-added products and services to support and unite Rural America. We are a member-owned, democratically controlled organization focused on professional excellence, social responsibility, a culture of safety and excellent member service".

Mr. Eggl reported that the Cooperative's "Brave the Shave" campaign has shifted the beneficiary of our fundraising dollars from St. Baldrick's to Andrew McDonough's "Be Positive" foundation, which provides direct aid to families and research efforts.

C. Administrative & Business Services Report

Aviation Operations Discussion. Vice President of Administrative & Business Services Ted Cash reported that the Cooperative's current aviation mix includes a Citation Encore that was placed in service in 2000, a Citation Encore that was placed in service in 2004 and a Cessna Caravan that was placed in service in 2008. The age of the current fleet and ongoing retrofitting and upgrade costs have caused staff to take a strategic look at current and future mission needs to develop a consistent approach and timeline to assess aircraft replacement and mix. The Board of Directors, senior staff and frequent fliers will participate in a Needs Assessment survey in January and February 2017 to determine utilization, mission changes, aircraft mix and needs, wants and desires.

In the same timeframe, a market analysis will be done to determine current economic conditions in the corporate aircraft market, the market value of the current aircraft, market economics for new and used aircraft and aircraft currently available that meet Basin Electric's mission.

Information and multiple options will be developed by the aviation group and presented to senior management and the Board in March and April 2017.

Corporate Angel Network. Director of Aviation Ryan Anderson reported that the Corporate Angel Network is a nonprofit organization that ties cancer patients to corporate aircraft utilizing empty seats. The Corporate Angel Network coordinates with cancer patients in their directory seeking a match. He noted that this would be a great opportunity for Basin Electric to help those in need at no cost since we're already going to that location. The Network does all the legwork in terms of matching a patient's schedule with our flight schedule.

President Peltier asked how liability insurance and security would be covered under our policy. Mr. Anderson noted that typically patients/family members are required to sign a liability waiver.

Mr. Cash noted that these are patients that are healthy enough to be traveling for treatment and this program targets no particular age group.

Director Drost encouraged participation and suggested further study regarding liability and security and coming back to the Board with an update. If all issues can be resolved, he suggested Basin Electric move forward. The Directors agreed.

28. Date and Time of Next Board Meeting

President Peltier noted that the next regularly scheduled meeting of the Board of Directors will begin on Sunday, February 12, 2017 starting at 4:00 p.m. CST.

29. Adjournment

At 3:15, there being no further business to come before the Board, it was moved by Director Drost, seconded by Director Gilbert and carried that the meeting be adjourned.

Gary C. Drost

Gary C. Drost, Secretary-Treasurer